

**Testimony of  
Representative Jay Inslee  
Before the Committee on Small Business  
June 28, 2007**

Chairwoman Velazquez and Ranking Member Chabot thank you for inviting me to testify before your committee today. Thank you also for holding this important hearing. My hope is that this hearing will highlight the inequity of the Copyright Royalty Board (CRB) decision.

On March 2, 2007, the CRB, a three member panel affiliated with the Library of Congress, issued a decision that changed royalty expenses for commercial and noncommercial webcasters and will likely end Internet radio as we know it today. According to the decision, which is retroactive beginning January 1, 2006 and commences through December 31, 2010, commercial and noncommercial webcasters would be subject to an increase in royalty rates from .08 cents in 2006 per performance to .19 cents per performance in 2010. The new royalty rates amount to a 300% increase for the biggest webcasters and up to 1200% for small webcasters. For most webcasters the royalties will exceed their gross revenues and bankrupt them. The CRB has refused to reconsider its decision so the higher royalties – including retroactive royalties back to January 2006 – are due July 15, 2007. My fear is that these new rates will decimate Internet radio and 70 million Americans that listen to Internet radio every month will no longer have access to this music service.

Like many members of Congress I have several small webcasters that will likely go out of business if the CRB decision is not overturned. Big R Radio is a constituent webcaster that estimates that this rate increase will exceed their revenue by 150%. They have over 15,000

listeners and provide a whole host of genres for their listeners to stream. Big R Radio earns its revenue through audio advertisements that play every 20 minutes. Like many webcasters faced with bankruptcy, this webcaster is considering moving overseas in order to survive.

Unfortunately Big R Radio is not uniquely situated.

The CRB's decision included three detrimental rulings. First, they dramatically raised the per-song fee which starts out in 2007 as only a 5% increase but balloons 149% increase by 2010. Second, the CRB curiously adopted the per-station minimum fee but dropped the per-service cap. Now every webcaster will be assessed a \$500 charge on each streaming station they offer. Many webcasters literally have thousands of stations representing every imaginable genre and music mix. For instance the "minimum" fees for 2006 for just three webcasters (RealNetworks, Pandora, and Yahoo!) would be over \$1.15 billion! Those new rates will dwarf their radio-related revenues by substantially more than a billion dollars. They would be more than 64 times the total royalties collected by SoundExchange in 2006 and an increase of more than 10 million percent over the minimum fee of \$2,500 per licensee. Finally, the CRB eliminated the percentage of revenue fee that many small webcasters used to determine their performance royalty. The move from a percentage of revenue to a per-song rate hits small webcasters hardest.

This past Tuesday webcasters across the country silenced their streams to protest this horrendous decision. The silence that many of our constituents heard is just a mere foreshadowing of the blistering silence of Internet radio if the courts, the Congress, or the parties themselves do not resolve. Thank you for having this hearing and inviting me to testify.